

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2015

Docket No. ACR2015

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 15-26 OF CHAIRMAN'S INFORMATION REQUEST NO. 2

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 2, issued on January 8, 2016. Each question is stated verbatim and followed by the response. The responses to Questions 1-14 were filed on January 15, 2016.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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- 15.** In the FY 2014 Annual Compliance Determination (ACD), the Commission directed the Postal Service to “provide an explanation...for why efforts to improve service performance results for First-Class Mail Flats have been ineffective [since FY 2011].” FY 2014 ACD at 104.
- a. Please discuss these efforts and the reasons why they have not resulted in expected improvements in service performance results for First-Class Mail Flats.
 - b. Please describe the challenges the Postal Service faces in improving service performance results for First-Class Mail Flats and how the Postal Service is addressing those challenges.

RESPONSE:

- (a) The Postal Service continues to have multiple efforts to improve First-Class Flats Service Performance. These efforts include Headquarters and Field service improvement teams, also known as Kaizen events. The teams have been deployed to highest impact facilities with the goal of identifying processing and network constraints that could potentially impact service performance. As a mail processing initiative, the Postal Service continues to perform sort plan optimization with the goal of reducing extra handling. However, these efforts have not correlated to service improvement mainly because of continued flats volume decline which increases the ratio of allied to productive distribution.
- (b) The continued First Class Flats volume decline has significantly impacted Postal Service's mail processing operations. Less dense trays and containers have a higher risk to impact service performance. The Postal Service focuses on proper mail flow, sort plan density optimization, lean and continuous improvement tools to overcome these challenges.

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16. In the FY 2014 ACD, the Commission directed the Postal Service to “explain in the FY 2015 ACR why efforts to improve results [for Standard Mail Carrier Route and Flats] have been ineffective.” *Id.* at 109.

- a. Please discuss these efforts and the reasons why they have not resulted in expected improvements in service performance results for Standard Mail Carrier Route and Flats.
- b. Please describe the challenges the Postal Service faces in improving service performance results for Standard Mail Carrier Route and Flats and how the Postal Service is addressing those challenges.

RESPONSE:

(a) The Postal Service has undertaken efforts that are tailored to improve Standard Carrier Route and Flats. Among these efforts are changes to mail makeup and entry to improve mail flow and streamline operations. The Postal Service has partnered with Mailer Service Providers (MSPs) to reduce bundle breakage. The Postal Service has done several label list changes in an effort to align service area with mail processing facilities. In addition, a strong focus has been placed on last mile impact, specifically on Carrier Route Bundles. However, similar to First Class Flats, service performance has been impacted by continued volume decline. In an attempt to maximize volume per sort plan, distribution is being done at a later time of the day. In addition, the increased package volume competes for bundle processing machine availability.

(b) The continued Standard Flats volume decline has significantly impacted the Postal Service's mail processing operations. Less dense trays and containers have a greater risk of impacting service performance. In an effort to increase

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package capacity and eliminate the competing processing window between higher package volume and bundle processing, in FY2015 the Postal Service deployed 21 new package sorter machines. Additional machines are being deployed in FY2016. The Postal Service is currently working with industry on the possibility of creating multi-scheme pallets which will result in a reduction of total pallets to be handled. The Postal Service utilizes Bundle Visibility to identify last mile delivery issues and missents. In addition, the Postal Service continues to focus on proper mail flow, sort plan density optimization, and lean and continuous improvement tools to overcome these challenges.

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17. In the FY 2014 ACD, the Commission directed the Postal Service to “explain in its FY 2015 ACR why efforts to improve results [for Periodicals] have been ineffective.” *Id.* at 112.

- a. Please discuss these efforts and the reasons why they have not resulted in expected improvements in service performance results for Periodicals.
- b. Please describe the challenges the Postal Service faces in improving service performance results for Periodicals and how the Postal Service is addressing those challenges.

RESPONSE:

- (a) The Postal Service has undertaken efforts that are tailored to improve Periodicals. Among these efforts are changes to mail makeup and entry to improve mail flow and streamline operations. The Postal Service has partnered with Mailer Service Providers (MSPs) to reduce bundle breakage. The Postal Service has done several label list changes in an effort to align service area with mail processing facilities. In addition, a strong focus has been placed on last mile impact with respect to Periodicals. However, service performance has been impacted by continued volume decline. In an attempt to maximize volume per sort plan, distribution is being done at a later time of the day. In addition, the increased package volume competes for bundle processing machine availability.
- (b) The continued Periodicals volume decline has significantly impacted Postal Service's mail processing operations. Less dense trays and containers have a greater risk of impacting service performance. In an effort to increase package capacity and eliminate the competing processing window between higher package volume and bundle processing, in FY2015 the Postal Service deployed

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21 new package sorter machines. Additional machines are being deployed in FY2016. The Postal Service is currently working with industry on the possibility of creating multi-scheme pallets which will result in a reduction of total pallets to be handled. The Postal Service utilizes Bundle Visibility to identify last mile delivery issues and missents. The Postal Service has had several Kaizen events to improve newspapers mail flow and processing. In addition, the Postal Service continues to focus on proper mail flow, sort plan density optimization, and lean and continuous improvement tools to overcome these challenges.

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- 18.** The Postal Service states that “[d]uring Postal Quarter 2, the disruption caused by realigning staffing and educating employees in new jobs resulted in slippage of performance.” Library Reference USPS-FY15-29 at 8.
- a. Please describe the staff realignment and employee education activities referred to in this library reference that led to the decrease in service performance results.
 - b. Did these activities occur in all 67 districts? If not, please list the districts where these activities occurred.
 - c. Did these activities occur during all quarters of FY 2015? If not, please list the quarters in which these activities occurred (disaggregated by district).
 - d. Please provide any data that demonstrate a link between staff realignment and employee education activities and the decrease in service performance results.
 - e. Please explain what actions the Postal Service is taking to mitigate the effect of staff realignment and employee education on service performance results.

RESPONSE:

- (a) New staffing requirements resulted in re-bidding of the majority of craft employee’s assignments at mail processing locations to align staffing with new operating window associated with Phase 2 implementation of Network Rationalization.
- (b) Confirmed, these activities occurred in all 67 districts.
- (c) The majority of the staffing realignment occurred in Quarter 2; however, the residual bidding continued throughout Quarters 3 and 4. By the end of FY2015, the bidding process had returned to normal level.

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(d) The table below demonstrates the staffing realignment of employees from Tour 1 to Tour 2 and Tour 3. This major shift of employees had a direct impact on service performance while operations stabilized.

Tour	October 2014	May 2015
1	46.0%	30%
2	14.3%	26.6%
3	39.7%	44.4%

(e) This was a one-time service-wide staffing realignment.

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- 19.** The Postal Service also states that, “network constraints contributed to the decline in service performance.” Library Reference USPS-FY15-29 at 8.
- a. Please describe the type(s) of network constraints referred to above and explain how each of them contributed to the decline in service performance.
 - b. Please provide any data that demonstrate how network constraints decreased service performance results.
 - c. Please explain what actions the Postal Service is taking to mitigate the effect of network constraints on service performance results.

RESPONSE:

- (a) Lack of service responsive aircraft capacity to support shifting volume as a result of Phase 2 network rationalization caused capacity constraints. Both existing dedicated air network integrators and commercial carriers were not able to totally fulfill service responsive capacity needs.
- (b) The table below demonstrates the air transportation constraints as a result of insufficient capacity received from air carrier integrators. The gap in air capacity correlates with the service performance trend which improved over Quarters 3 and 4 as the gap was closed.

FY15 Quarter	Air Carrier Capacity Request	Air Carrier Capacity Received	Air Capacity Gap
2	172,802,712	152,268,168	-20,534,544
3	166,389,873	153,097,529	-13,292,344
4	164,085,103	155,999,285	-8,085,818

Data is calculated from daily cubic feet volume.

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(c) In 2015, the Postal Service onboarded new commercial air carriers, purchased dedicated charters to offset the shortage of capacity and continued to negotiate additional capacity from air network integrators.

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20. The Postal Service states that

The Postal Service plans to increase emphasis on the processing of First-Class Mail Flats. This will include standardizing the handling of special sort assignment on the flat sorting equipment.

Library Reference USPS-FY15-29 at 9.

- a. Please explain what is meant by "special sort assignments."
- b. In FY 2015, what percentage of First-Class Mail Flats volume was handled by "special sort assignments?"
- c. What is the current process for handling "special sort assignments?"
- d. Please explain in detail how standardizing the handling of "special sort assignments" on flat sorting equipment will increase service performance results.

RESPONSE:

- (a) Special sort assignment refers to mail pieces that cannot be sorted based on mail piece characteristics. These mail pieces require additional handling to be finalized.
- (b) 3.2 percent of the First Class Mail Flats volume was handled by special sort assignments.
- (c) The flats sorter machines have four bins that are special sort assignments. The flow for the misfaced bin is to face the mail and re-run; the unresolved bin is controlled re-run once and then manual; the unassigned bin flows to a primary sort plan and mechanical rejects flow to manual.
- (d) The proper handling of special sort assignments ensures flats stay in the correct mail stream to be finalized in the most efficient operation.

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21. The Postal Service states that "[d]uring Postal Quarter 2, the disruption caused by realigning staffing and educating employees in new jobs resulted in slippage of performance." Library Reference USPS-FY15-29 at 13. Please describe the types of staff realignment and employee education activities referred to in this library reference that led to the decrease in service performance results.

- a. Did these activities occur in all 67 districts? If not, please list the districts where these activities occurred.
- b. Did these activities occur during all quarters of FY 2015? If not, please list the quarters in which these activities occurred (disaggregated by district).
- c. Please provide any data that demonstrate a link between the staff realignment and employee education activities and the decrease in service performance results.

RESPONSE:

For the requested description, please see the response to Question 18.a of this Information Request.

(a) Confirmed, these activities occurred in all 67 districts.

(b) The majority of the staffing realignment occurred in Quarter 2; however the residual bidding continued throughout Quarters 3 and 4. By the end of FY2015, the bidding process had returned to normal level.

(c) The table below demonstrates the staffing realignment of employees from Tour 1 to Tour 2 and Tour 3. This major shift of employees had a direct impact on service performance while operations stabilized.

Tour	October 2014	May 2015
1	46.0%	30%
2	14.3%	26.6%
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22. The Postal Service states that

[it] plans to continue focusing on the improvement of Standard Flat processing by reducing the WIP cycle time by decreasing the time between bundle and next handling processing. This will be done by advancing the processing of Standard Flats to day zero (day of acceptance).

Library Reference USPS-FY15-29 at 14.

- a. Please explain in detail how “advancing the processing of Standard Flats to day zero” will decrease WIP cycle time.
- b. What is the average length of time between bundle and next handling process?
- c. What is the length of time between bundle and next handling process that needs to be achieved in order to meet service performance targets?

RESPONSE:

- (a) Day zero refers to the practice of processing initial sort within 24 hours of Critical Entry Time.
- (b) During FY2015, the average median time between bundle and next handling was 29 hours.
- (c) The target median between bundle and next handling process is 24 hours.

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- 23.** The Postal Service states that it “will also utilize the increased depth of distribution that the additional separations of the Automated Parcel and Bundle Sorter enable to reduce re-handling and manual sortation and advance the product to its final sortation.” Library Reference USPS-FY15-29 at 14. Please provide the percentage of Standard Mail Flats processed on the Automated Parcel and Bundle Sorter from FY 2011 through FY 2015, disaggregated by quarter.

RESPONSE:

The below table shows the volume percentage increase by year and quarter of Standard Mail Flats processed on the Automated Parcel and Bundle Sorters.

	Postal Quarter			
Fiscal Year	1	2	3	4
2011	0.10%	0.09%	4.54%	23.06%
2012	43.06%	49.11%	49.35%	50.78%
2013	51.19%	53.15%	55.06%	54.63%
2014	55.92%	58.16%	58.37%	59.09%
2015	59.53%	59.90%	59.35%	60.26%

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24. The Postal Service states that “[t]he increase in WIP resulted in an increase in the time between bundle and next handling processing.” Library Reference USPS-FY15-29 at 16.

a. Please describe the reason(s) WIP increased in FY 2015.

RESPONSE:

On January 5, 2015, the Postal Service implemented the service standard modifications related to Phase 2 of Network Rationalization. Although Periodicals service standards did not change, the Critical Entry Time for non-FSS Periodicals changed to align with new operating window.

Destination	Container Make-up	Previous CET	Revised CET
FSS	Bundle Sort Required	0800	0800 No Change
	No Bundle Sort Required	1100	1100 No Change
Non-FSS	Bundle Sort Required	1600	1100
	No Bundle Sort Required	1700	1400
	No Bundle Sort – Carrier Route Pallet	1700	1700 No Change

The increase in WIP is correlated with earlier CET times. Any mailing that was received after the new CETs compared to previous year was considered next day processing, thereby directly impacting the WIP.

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25. The Postal Service states that “[t]he slight decrease in performance occurred while [it] was aligning efforts to address other product lines that were experiencing greater declines.” Library Reference USPS-FY15-29 at 16. Please describe these efforts (disaggregated by quarter and district).

RESPONSE:

Efforts, including changes to mail makeup and entry to improve mail flow and streamline operations, applied to all Postal Quarters and Districts. These changes included partnering with Mailer Service Providers (MSP) to reduce bundle breakage, label list changes in an effort to align service area with mail processing facilities, and a strong focus on last mile impact.

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- 26.** The Postal Service states that it “is using the WIP cycle time to identify locations and operations where the time between arrival and bundle-to-piece distribution is outside of control...” Library Reference USPS-FY15-29 at 17.
- a. Please define the phrase ‘outside of control.’
 - b. Please list the locations and operations that were identified in this process, aggregated by district and quarter.

RESPONSE:

- (a) WIP cycle time outside of control refers to WIP higher than goal. The WIP goal between arrival and bundle-to-piece distribution is 24 hours for SCF and 48 hours for NDC.
- (b) The Postal Service experienced WIP increase in the entire network; however, some sites had higher impact to the Nation. Service improvement teams were deployed in Postal Quarters 2, 3 and 4 to the following sites: Boston MA, Brooklyn NY, San Juan PR, Cincinnati OH, Columbus OH, Denver CO, Detroit MI, Bangor ME, Fort Worth TX, Los Angeles CA, Miami FL, New Orleans LA, North Houston TX, Queens NY, Rocky Mount NC, St. Paul MN, Springfield MA, Phoenix AZ, Sacramento CA, St Louis MO, Dallas TX and Omaha NE.